

# BASS, BERRY & SIMS PLC

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February 4, 2005

### VIA HAND DELIVERY

Chairman Pat Miller  
c/o Sharla Dillon, Docket Manager  
Tennessee Regulatory Authority  
460 James Robertson Parkway  
Nashville, Tennessee 37243

RECEIVED  
2005 FEB -4 PM 2:01  
T.R.A. DOCKET ROOM

**Re: *Petition of Tennessee American Water Company to Change and Increase Certain Rates and Charges So As to Permit It to Earn a Fair and Adequate Rate of Return on Its Property Used and Useful In Furnishing Water Service to Its Customers, Docket No. 04-00288.***

Dear Chairman Miller:

Enclosed please find the original and thirteen (13) copies of Tennessee American Water Company's Notice of Withdrawal of Oral Motion to Terminate Suspension of Tariffs for filing in the above-referenced docket.

Should you have any questions with respect to this filing, please do not hesitate to contact me at the telephone number listed above.

Very truly yours,



R. Dale Grimes

RDG/tn  
Enclosure

cc: Jean Stone, Esq. (w/ enclosures)  
Paul Diskin (w/enclosures)  
Michael A. Miller (w/ enclosures)  
T. G. Pappas, Esq. (w/ enclosures)  
Certificate of Service List

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**BEFORE THE TENNESSEE REGULATORY AUTHORITY  
NASHVILLE, TENNESSEE**

**IN RE:**

**PETITION OF TENNESSEE AMERICAN  
WATER COMPANY TO CHANGE AND  
INCREASE CERTAIN RATES AND  
CHARGES SO AS TO PERMIT IT TO  
EARN A FAIR AND ADEQUATE RATE  
OF RETURN ON ITS PROPERTY USED  
AND USEFUL IN FURNISHING WATER  
SERVICE TO ITS CUSTOMERS**

**Docket No. 04-00288**

**TENNESSEE AMERICAN WATER COMPANY'S NOTICE OF WITHDRAWAL OF  
ORAL MOTION TO TERMINATE SUSPENSION OF TARIFFS**

Petitioner Tennessee American Water Company respectfully hereby gives notice of its withdrawal of its oral motion, made at the conclusion of the hearing on January 31, 2005, to terminate the suspension of the tariffs filed by the Company on September 10, 2004. Counsel for the Company made this motion based upon an incomplete recollection of the provisions of the Hearing Officer's Order of December 15, 2004. However, the suspension has already expired by its own terms, and the oral motion is therefore moot.

At the hearing, undersigned counsel stated that the tariffs "could not go into effect until March 8th or 9th." Transcript of Proceedings, Monday, January 31, 2005, at 23 (copy of excerpt attached as Exhibit A) In fact, the Hearing Officer's Order of December 15 specifically states that the rate increase proposed by the Company in its Petition in the case was suspended "through March 9, 2005 or until the Panel acts on the merits of the Petition, whichever occurs first." Order Re-Suspending Increase in Rates, December 15, 2004, at 2 (emphasis added) (copy attached as Exhibit B). The Panel has now acted on the merits by approving the Settlement Agreement entered into by all the parties, and accordingly the suspension, by its own terms, has

expired. Thus, no further action by the Authority is required with respect to the pre-existing suspension referenced by counsel in the oral motion.

In accordance with the approved Settlement Agreement, Tennessee American is simultaneously filing new tariffs today that conform to the terms of the Settlement Agreement. These tariffs have an effective date of February 4, 2005.

At the hearing on January 31, 2005, the Company was asked to describe how its customers would be notified of the approved rate changes. The Company issued a press release on January 31, 2005, which provides information concerning the changes in rates. Copy of Press Release attached as Exhibit C. In addition, commencing with the effective date of the new tariffs, each customer's bill will contain a bill message stating as follows: "This bill includes a rate increase of approximately 3.83% which was approved by the Tennessee Regulatory Authority on January 31, 2005."

Respectfully submitted,



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R. Dale Grimes (#6223)  
J. Davidson French (#15442)  
T. G. Pappas (#2703)  
BASS, BERRY & SIMS PLC  
AmSouth Center  
315 Deaderick Street, Suite 2700  
Nashville, TN 37238-3001  
(615) 742-6200

*Counsel for Petitioner  
Tennessee American Water Company*

**CERTIFICATE OF SERVICE**

I hereby certify that a true and correct copy of the foregoing has been served via the method(s) indicated, on this the 4th day of February, 2005, upon the following:

<input type="checkbox"/> Hand	Michael A. McMahan, Esq.
<input checked="" type="checkbox"/> Mail	Phillip A. Noblett, Esq.
<input checked="" type="checkbox"/> Facsimile	Lawrence W. Kelly, Esq.
<input type="checkbox"/> Overnight	Nelson, McMahan & Noblett
	801 Broad Street, Suite 400
	Chattanooga, TN 37402
<input type="checkbox"/> Hand	Timothy C. Phillips, Esq.
<input checked="" type="checkbox"/> Mail	Vance L. Broemel, Esq.
<input checked="" type="checkbox"/> Facsimile	Office of the Attorney General
<input type="checkbox"/> Overnight	Consumer Advocate and Protection Division
	P.O. Box 20207
	Nashville, TN 37202
<input type="checkbox"/> Hand	Henry M. Walker, Esq.
<input checked="" type="checkbox"/> Mail	Boult, Cummings, Conners & Berry, PLC
<input checked="" type="checkbox"/> Facsimile	Suite 700
<input type="checkbox"/> Overnight	1600 Division Street
	P.O. Box 340025
	Nashville, TN 37203
<input type="checkbox"/> Hand	David C. Higney, Esq.
<input checked="" type="checkbox"/> Mail	Grant, Konvalinka & Harrison, P.C.
<input checked="" type="checkbox"/> Facsimile	633 Chestnut Street, 9 <sup>th</sup> Floor
<input type="checkbox"/> Overnight	Chattanooga, TN 37450

  
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## BEFORE THE TENNESSEE REGULATORY AUTHORITY

IN RE:

PETITION OF TENNESSEE AMERICAN WATER )  
COMPANY TO CHANGE AND INCREASE CERTAIN ) Docket No.  
RATES AND CHARGES SO AS TO PERMIT IT ) 04-00288  
TO EARN A FAIR AND ADEQUATE RATE OF )  
RETURN ON ITS PROPERTY USED AND USEFUL )  
IN FURNISHING WATER SERVICE TO ITS )  
CUSTOMERS )

## TRANSCRIPT OF PROCEEDINGS

Monday, January 31, 2005

## APPEARANCES:

For Tennessee American  
Water Company:Mr. R. Dale Grimes  
Mr. Davidson French  
Mr. Michael MillerFor Chattanooga Manufacturers  
Association:Ms. Kristy Godsey  
Mr. David Higney  
(Present by telephone)

For Consumer Advocate:

Mr. Timothy C. Phillips  
Mr. Joe Shirley

For City of Chattanooga:

Mr. Mike McMahan

For TRA Staff:

Ms. Jean Stone

Reported By:

Patricia W. Smith, RPR, CCR

EXHIBIT

A

1 MR. MILLER: That's our normal  
2 practice, Director Tate. So we would immediately put a  
3 bill message on every bill where the new rates came  
4 out, until we got through the entire bill cycle and  
5 each customer would have that message.

6 And I'm sure there will be newspaper  
7 coverage from the Chattanooga Times about the  
8 settlement.

9 DIRECTOR TATE: And I, too, want to  
10 echo what Director Kyle said. We often try to  
11 encourage you-all to settle, so I'm glad that you-all  
12 were able to come to a meeting of the minds and would  
13 vote yes.

14 CHAIRMAN MILLER: Seeing no other  
15 business before the Authority, I hereby declare this  
16 meeting adjourned. Thank you.

17 MR. GRIMES: Excuse me, Chairman. The  
18 motion that I made about ending the suspension of the  
19 tariff, is that something that would be appropriate to  
20 consider at this time?

21 Right now, they wouldn't -- could not  
22 go into effect until March the 8th or 9th. And we  
23 would just propose that with the approval and with the  
24 settlement that we could go ahead and put those into  
25 effect as soon as they can be done through the billing

BEFORE THE TENNESSEE REGULATORY AUTHORITY

NASHVILLE, TENNESSEE

December 15, 2004

IN RE:

PETITION OF TENNESSEE AMERICAN  
WATER COMPANY TO CHANGE AND  
INCREASE CERTAIN RATES AND  
CHARGES SO AS TO PERMIT IT TO  
EARN A FAIR AND ADEQUATE RATE  
OF RETURN ON ITS PROPERTY USED  
AND USEFUL IN FURNISHING WATER  
SERVICE TO ITS CUSTOMERS

DOCKET NO.  
04-00288

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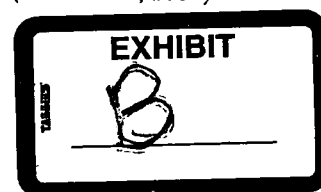
ORDER RE-SUSPENDING INCREASE IN RATES

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On September 10, 2004, Tennessee American Water Company ("TAWC") filed the *Petition of Tennessee American Water Company to Change and Increase Certain Rates and Charges So As to Permit It to Earn a Fair and Adequate Rate of Return on Its Property Used and Useful in Furnishing Water Service to Its Customers* ("Petition"). In the *Petition*, TAWC asked the Authority to approve a schedule of rates and filed Tariffs set to take effect on October 10, 2004. At a regularly scheduled Authority Conference held on September 27, 2004, the voting panel assigned to this docket voted to suspend the proposed rate increase for 90 days, from October 10, 2004 through January 7, 2005, and to appoint the Authority's General Counsel or his designee to act as the hearing officer in this proceeding to hear preliminary matters prior to the hearing, to rule on any petition(s) for intervention, and to set a procedural schedule to completion.<sup>1</sup>

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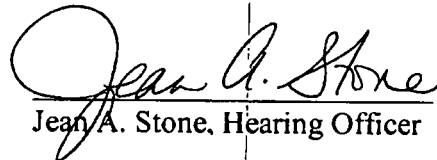
<sup>1</sup> See *Order Suspending Increase in Rates for Ninety Days and Appointing a Hearing Officer* (October 21, 2004)



On October 11, 2004, the Hearing Officer established a procedural schedule setting this matter for a hearing before the panel on January 31, 2005 through February 3, 2005.<sup>2</sup> At a status conference held on December 6, 2004, the Hearing Officer informed the parties that the next scheduled date for an Authority Conference after the hearing date was February 28, 2005 and that, presumably, the panel would deliberate the merits of the *Petition* on that date. Therefore, in order to allow sufficient time for deliberations by the panel following the hearing, the Hearing Officer found that the rate increase should be suspended through March 9, 2005 or until the panel acted on the merits of the *Petition*, whichever occurred first. In a status report presented to the panel at the regularly scheduled Authority Conference held on December 13, 2004, the Hearing Officer discussed this finding with the panel, which directed the Hearing Officer to re-suspend the rate increase as indicated.

**IT IS THEREFORE ORDERED THAT:**

The rate increase proposed by Tennessee American Water Company in the *Petition of Tennessee American Water Company to Change and Increase Certain Rates and Charges So As to Permit It to Earn a Fair and Adequate Rate of Return on Its Property Used and Useful in Furnishing Water Service to Its Customers* is re-suspended through March 9, 2005 or until the Panel acts on the merits of the *Petition*, whichever occurs first.

  
Jean A. Stone, Hearing Officer

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<sup>2</sup> Although the procedural schedule has been amended, the scheduled dates for the hearing have remained unchanged since October 11, 2004





## News Release

Contact: Kim Dalton  
(423) 755-7613  
(423) 280-1250

FOR IMMEDIATE RELEASE

### **TRA and Tennessee American Water Announce Compromise on a Rate Increase**

**Chattanooga, TN (Jan 31, 2005)** – The Tennessee Regulatory Authority (TRA) today approved an agreement between Tennessee American Water, the Tennessee Attorney General, the city of Chattanooga and the Chattanooga Manufacturers Association regarding the water company's 2004 rate case

"As a result of discussion with all parties in the case, Tennessee American Water reached an agreement that everyone believes is appropriate," said John Watson, vice president of Tennessee American Water. "The TRA decision continues to balance the needs of the ratepayers, the company and its investors. Tennessee American Water has always valued the regulatory process and believes it provides an open and fair way to set water rates.

The agreement calls for Tennessee American Water to raise water rates by less than one percent (0.93), resulting in \$297,005 of additional revenue to the water company. The agreement also allows Tennessee American Water to adjust metered water rates to recover \$897,295 in fire protection services. The rate case filed in September asked for this adjustment in accordance with state legislation passed by the Tennessee General Assembly in 2004 regarding allocation of costs for public fire service in Tennessee.

With the increase, the average water bill for residential customers will increase 62 cents, or 3.8 percent, raising the average monthly bill from \$16.15 to \$16.77. A residential customer in Chattanooga will still receive a gallon of water delivered to their home for less than a penny a day.

"Water remains one of the best values customers receive," said Watson. "The average rate of inflation over the last 10 years is 4.02 percent, and Tennessee American Water rates have only increased an average of 2.04 percent per year during the same period. Tennessee American Water continues to hold their operating costs to the lowest level possible so the company can offer stable, affordable water rates that support regional economic development."

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